Ethics in the world of business has been defined as the principles and standards that guide business decisions, being more than just a simple extension of an employees’ personal ethics. While conducting business, we must weigh the collective interest rather than just our own and make tough choices when ambiguity arises among ethical dilemmas. In simple terms, it is in these decisive moments where business becomes more than just numbers; it becomes human. For the Central States Pension Fund case, the most appropriate solution is not easily foreseen. Through the use of Badaracco’s framework to decision making and my values, the prevailing decision to enforce pension cuts appears to be the most ethical decision for all involved parties while factoring in longevity. To validate that claim, one must first start by identifying the problem at hand.

The ethical issue arose when the Central States Pension Fund (CSPF) sustained massive losses during an economic crisis. While other entities such as the stock market made a full recovery, pension funds saw minimal returns as $1 invested equated to $3.46 being paid out in benefits. These numbers result in a net loss around $2 billion a year for benefits being paid out over contributions being collected by businesses. At the current pace, both the Central States Pension Fund and its insurance agency, the Pension Benefit Guarantee Corporation, would become insolvent by the year 2025. In response to struggling pensions, congressional legislature passed a bill in 2014 which states that financially troubled plans may lessen benefits
to remain solvent.\textsuperscript{v} With a basic understanding of the situation at hand, the next chronological step of making an ethical decision is to weigh the possible courses of action or inaction.

Given the circumstances, the process of selecting the appropriate response can be aided using Badaracco’s best net-net framework.\textsuperscript{vi} This method allows for the decision-maker to see which options stand the most to gain, or in this situation, stand the least to lose. In the Central States Pension Fund, perhaps the most unlikely course of action, or inaction, would be to wait for pending legislation to be passed that would replace cuts with government provided assistance. However, this Laissez-Faire styled approach puts a tremendous amount of faith in an uncontrollable political environment and faces high risk. A slightly more viable option in comparison would be to continue operations without any cuts to benefits. Repercussions of such actions would be potential insolvency within ten years, at the cost of keeping all the stakeholders momentarily pleased.\textsuperscript{vii} Not cutting would also rely heavily on the Pension Benefit Guaranty Corporation to back the multi-employer plan, but with current trends, the insurance agency would also be insolvent at the time.\textsuperscript{viii} Both the above proposals have one common trend, high risk and the potential for insolvency in the near future. The fundamental principle of a pension relies on the money to be distributed over one’s elderly life. It is with this logic; the best net-net maximizes longevity stands to benefit the pension most comparatively.

Catering to longevity, the Central States Pension Fund would go ahead with plans to reduce benefits. On a positive note, cutting benefits would increase the chance to last another 30 years by 50% as opposed to only a projected ten years without change.\textsuperscript{ix} Negatively, the imposing pension cuts would result in an average decrease of around a 23% for all those currently receiving payments.\textsuperscript{x} However, some may be more severe given the recipient’s age,
wealth, and previous employer. With this course of action, one could expect an immediate outcry from the stakeholders. At this moment, it is important to consider another one of Badaracco’s frameworks; the message sent about character. The intended narrative by cutting benefits is to display that the longevity and sustainability are the utmost priority. Although in the preliminaries stages it may be more difficult, think of the actions more as a history book rather than a newspaper. Moreover, cutting would also show an initiative and willingness to shake the tree by being one of the first to take risks to maintain solvency. Following up, an important question is how well would cutting benefits be accepted by involved parties?

Much of a decision can be validated by the ability to look stakeholders in the eye and say, “It was a difficult decision, not many are going to like it, but this is the most practical choice given the circumstances.” The direct and most obvious stakeholders for the Central States Pension Fund are the greater than 250,000 active and retired truckers. These individuals were under the impression that this would be a guaranteed income for life, some workers even gave up raises, promotions, and other job opportunities to be able to invest in the pension. Concerning Badaracco’s framework over individual rights, the Central States Pension Fund is politically validated in cutting benefits to those who have paid-in due to the legislation passed in 2014. Based on my primary ethical values, it would be hard to take promised money from those who have earned it, but yet, it would be even more difficult to watch the Central States Pension Fund dissipate altogether without cuts. In a bigger picture, a butterfly effect is created as anyone in relation with these employees’ such as families, communities, and businesses may feel the ramification as well. Furthermore, stakeholders also include any other businesses or legal entities that may look back on this decision as a precedent for future courses of action.
The final Badaracco framework yet to be addressed is how the ethical decision to cut benefits would work in the world as it is.\textsuperscript{xv} Simply put, this model is realistic and would fit most appropriate when considering the cyclical nature of economies. Prolonging the pension’s lifespan allows the investments more time to recover and attempt to close the disparity between withdrawals. The other proposed courses of non-action are also plausible solutions in today’s society. However, the advantages of not cutting benefits cater to that of the short-term and stakeholder happiness. Ethical behavior is necessary for long-term success, and in turn, longevity is the paramount deciding factor. In the instance of the Central States Pension Fund cutting benefits best serves the long-term success of the pension.

While employing Professor Badaracco’s Four Steps to decision making and my values, the decision to enforce pension cuts appears to be the most ethical decision for all involved parties. Utilizing the frameworks of best net-net, messages about character, personal rights, and real world plausibility, cutting pension benefits is the only course of action that appeals to all principles. In the circumstances such as the Central States Pension Fund, business decisions become increasingly human, and there is virtually no segregation between right and wrong. While all options are viable, not cutting would undoubtedly increase the solvency rate and service that of the short-term. Thinking long-term is the proper course of action as it diminishes risk and provides the best net-net. This solution appropriately illustrates that pension is placing longevity and sustainability at the utmost priority with the consideration of all the stakeholders involved.
Citations


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i Hosmanek, slide 2
ii Marte
iii Ibid
iv Ibid
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vi Badaracco Jr.
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xiii Marte
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xv Ibid